Reduction in prices due to VAT

2226. SHRI N.K. PREMACHANDRAN: Will the Minister of FINANCE be pleased to state:

(a) the number of State Governments that are keeping away from VAT regime;

(b) whether the VAT system resulted in price reduction and whether it is a fact that interest of consumers are not being protected and prices have not been brought down for most of the commodities, especailly drugs;

(c) whether any State Government has urged for a Central legislation under which the States could take action against those who reap unfair profit; and

(d) whether Government propose to introduce such legislation, if any?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) 10 States/UTs have not yet implemented VAT. These are Uttar Pradesh, Uttaranchal, Rajasthan, Madhya Pradesh, Chhattisgarh, Jharkhand, Gujarat, Tamil Nadu, Chandigarh and Pondicherry.

(b) The prices of commodities depend on a number of factors and it may not be feasible to segregate the impact of VAT on prices. The overall rate of inflation, reflected through the Point-to-Point Movement in the Wholesale Price Index, itself has declined from 5.70% for the week ending 02 April 2005 to 4.07% for the week ending 23 July 2005. The prices of drugs and medicines have come down in most of the State due to reduction in the tax rate from 8% under Sales Tax regime to 4% under VAT. The States are closely monitoring the price situation, to ensure that the benefits of VAT are passed on to the consumers. The Empowered Committee of State Finance Ministers has advised the States to set up special VAT Cells, *inter alia*, to monitor this aspect.

(c) and (d) So far, no such proposal has been received from any State in the context of VAT and the Central Government has no proposal to introduce a Central legislation in this regard.